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EX PARTE OR LATE FILED

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January 15, 1997

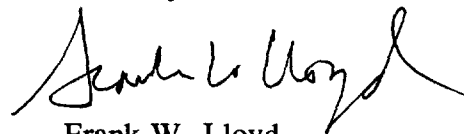
William F. Caton  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: **Cable Home Wiring**  
**Ex Parte: CS Docket 95-184/MM Docket 92-260**

Dear Mr. Caton:

On January 14, 1997, Barbara Kessler, Elizabeth Lozinski and Vito Carragulo of Cablevision Systems Corporation, and the undersigned, met with Meredith Jones, John Logan, JoAnn Lucanik, and Rick Chessen of the Cable Services Bureau, Jackie Chorney of Chairman Hundt's Office and Suzanne Toller of Commissioner Chong's Office to discuss the matters in the enclosed materials.

Sincerely,



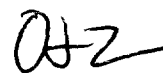
Frank W. Lloyd

Enclosures

cc: Jackie Chorney  
Suzanne Toller  
Meredith Jones  
JoAnn Lucanik  
Rick Chessen  
John Logan

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## **CABLEVISION SYSTEMS CORPORATION POSITION ON CABLE HOME WIRING**

Cablevision is currently providing advanced, interactive video services on a number of its systems. Some Cablevision systems, including facilities in New York City, Yonkers, Long Island, Connecticut and parts of New Jersey, offer subscribers a wide array of advanced two-way services and capabilities, including an impulse technology that enables subscribers to purchase and receive movies and events without using the telephone. Subscribers need only push a series of buttons on their remotes or converter boxes to send signals back to the headend identifying the subscribers' service selection. The system's two-way capabilities also greatly enhance the quality of service delivered to subscribers.

Even if some subscribers opt to purchase conventional multichannel video programming services from another provider, retention of the two-way broadband capacity deployed by Cablevision gives us an opportunity to continue to serve as the pay-per-view provider to such subscribers. Not only would such a competitive scenario maximize consumer choice, the ongoing competition between the two providers would stimulate innovative offerings and promote optimal customer service, as each provider vies to obtain more business from the customer both are serving. Under the Commission's proposal, however, the forced surrender of its broadband wire to the competitor would preclude Cablevision from competing in this manner in MDUs and deny these benefits to subscribers residing in such buildings.

The ability to access the Internet through cable television facilities is largely premised upon the utilization of high-speed packet-switched data technologies in combination with

value-added services, such as the provision of unique content. For example, Cablevision's Optimum On-Line service, which is being commercially offered to subscribers in New York, includes an interactive "News 12" service focused on Long Island, a Cablevision bulletin board site, as well as Internet access. This ground breaking service uses broadband cable wire to offer a variety of services. In a common application, Optimum Online service can make the difference between waiting to download graphic images to a PC from an online service for two hours to downloading or receiving the data in approximately two minutes. Optimum Online also operates independently from the subscriber's telephone, thus permitting telecommuting without a separate dedicated telephone line for computer connections.

The Internet access and data transmission services markets represent burgeoning businesses whose potential is only beginning to be tapped. MDUs are particularly useful locales in which to target initial deployment of service offerings in these nascent markets, since they offer concentrated access to a broad volume and variety of potential customers. Cablevision has made a substantial investment in upgrading our network infrastructures in order to have the opportunity to offer these new services.

While Internet access and other advanced services offered by Cablevision complement our core video business, these services are clearly regarded as separate, sustainable businesses in their own right. In other words, we intend to offer all potential customers these services, regardless of whether such customers decline to subscribe to cable service or purchase multichannel video programming from another provider. The broadband infrastructure deployed by Cablevision makes the provision of these services possible. The forced surrender of that infrastructure within MDUs, in response to a subscriber's decision to

switch video providers, would prevent the Joint MDOs' from offering Internet access, data transmission, and other advanced telecommunications services.

F1/62463.1



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**CABLEVISION LAUNCHES OPTIMUM ONLINE --  
METRO NEW YORK FIRST DELIVERS COMPUTER USERS HIGH-SPEED  
INTERNET ACCESS VIA CABLE, EXCLUSIVE LOCAL CONTENT**

**Long Island Cable Modem Debut Gives Users Unlimited Internet Access,  
Allows Them To Stay "Online All The Time"**

**WOODBURY, N.Y., December 17, 1996** -- Cablevision System Corp. (ASE:CVC) today began the commercial rollout of Optimum Online, a high-speed multimedia communications service that connects personal computers via cable directly with the Internet and online computer services.

Optimum Online will enable Cablevision customers to maximize the online capabilities of their personal computers, communicating and downloading information at speeds 50 times faster than is currently possible with conventional telephone-based modem technologies. Thanks to the advanced cable connection, customers won't tie up their home phone or need a second phone line to "surf the Net," but can keep their computers "Online All The Time."

Using the latest modem hardware from LANcity, a customized state-of-the-art browser from Microsoft, and networking technology from Hewlett-Packard, Optimum Online also delivers original and exclusive local content, including the latest in news, weather, traffic, sports and community events, as well as up-to-the-minute movie and TV listings. The cable modem's high-speed link allows users to download full-motion video, where available, from these and other sites. Optimum Online is also configured with hot links to popular Internet sites, including those of area newspapers.

Among the localized Optimum Online services available are NEWS 12 Interactive, Neighborhood News, online sports programming from SportsChannel, local weather and traffic, as well as specialized community and educational services, including ExtraHelp Online. Cablevision customers can also access a host of proprietary entertainment sites, including the web pages of American Movie Classics, Bravo, The Independent Film Channel and Much Music. Meanwhile, the multimedia site KidStar provides entertainment, learning, games news and information for younger audiences.



-more-

In addition to proprietary Optimum Online content offerings, the service features national content from leading providers, including a hotlink to Time Warner's Road Runner.<sup>®</sup> Optimum Online also provides customers multiple e:mail addresses for the family, and access to Optimum Online news and chat groups.

"Our goal is to offer our customers a broad range of services over Cablevision's network. The tremendous demand for online connections tells us what consumers want. Optimum Online is a fantastic step in providing them access to that world of information, delivered at exceptional speed," said James L. Dolan, Cablevision's chief executive officer.

Optimum Online today launches phase one of its rollout, and is available to 15,000 homes passed in the northern part of the township of Oyster Bay, N.Y. During 1997, Cablevision expects to make Optimum Online available to more than 150,000 Long Island homes, as well as to Cablevision customers in Connecticut. Further expansions of Optimum Online throughout Cablevision's territories will follow.

"With the Optimum Online brand, we're starting the rollout of a fully tested commercial service," said Joseph Cece, president of Cablevision's Digital Services Division and corporate senior vice president of strategic planning. "Optimum Online's speed, ease of navigation, local content and full access to popular and useful Internet sites are distinct advantages that we believe will prove very valuable to personal computer users."

Optimum Online will deliver unlimited access to the Internet and other services for a monthly charge of \$34.95 when users purchase a cable modem priced at \$295, or for \$44.95 per month, modem included. There is a regular one-time installation fee of \$150 -- which will be reduced to \$100 for a special introductory period.

Set-up requires that IBM or compatible PC users have a minimum of a 486/33 MHz processor running DOS 5.0, at least 8 MB RAM, 30 to 35 MB free hard disk space and an Ethernet port. For Macintosh users, a 68040 or PowerPC processor, along with at least 8 MB RAM, 30 MB free hard disk space, an Ethernet port and Operating System 7.5.1 with an Open Transport are required.

Cablevision Systems Corp. is the nation's sixth largest operator of cable television systems, serving 2.8 million customers in 19 states with major operations in Boston, Cleveland and the New York metropolitan area, where Cablevision has 1.6 million customers. Its wholly owned subsidiary, Rainbow Programming Holdings, Inc., manages entertainment, news and sports programming services. Cablevision Lightpath Inc., also a wholly owned subsidiary, provides telephone service to more than 450 business customers on Long Island.

Optimum Online's World Wide Web address is (URL) <http://www.optimumonline.com/>.



## **OPTIMUM ONLINE GENERAL SERVICE PROPERTIES**

- **CONNECTION-LESS ACCESS**
  - LAN-like, no dialup, permanent connection.
- **HIGH SPEED**
  - 10 MB/s down, 10 MB/s up, shared bandwidth.
- **STANDARD DATACOM**
  - Mainstream Internet technology (tcp/udp/IP), Ethernet.
- **CLIENT SERVER INFRASTRUCTURE**
  - Open standard environment, evolving to new services.

## **SYSTEM ADMINISTRATION**

- Hewlett-Packard B. I. D. S.
- **MANAGE** e-mail, www, DNS, DHCP, IP Filtering, applications gateway, file storage, etc.
- **Local Technical Support Call Center**
  - Level I and Level II technical support reps.
  - Cover routine tasks, technical support issues and respond in cooperation with Central NOC to hard failures.

## **NETWORK MANAGEMENT**

- **USE SNMP STANDARD PLATFORMS**
- **ELEMENT MANAGERS**
  - At Headend: servers, switches, routers.
  - At Distribution Hubs, SCS, routers.
  - At home: cable modem.
- **LOCAL CENTRAL MONITORING (NOC)**
  - Internal - 7 days/24 hours
  - Linked to End User Support Desk
  - Support Open View, Solstice, etc.



## **BACKGROUND INFORMATION**

### **OPTIMUM ONLINE IS:**

#### **HIGH-SPEED**

- Driven by 10MB/s Bay Networks' LANcity cable modem
- 50 times faster than conventional, telephone-based modems
- Downloads complex files in seconds, not minutes

#### **EASY TO USE**

- Delivers unlimited Internet access
- Comes complete with built-in navigation system
- Includes customized browser based on Microsoft Explorer
- "Online All The Time" means no dial-up wait.
- Doesn't tie up home phone lines, or require a second phone line
- Assistance available through 24-hour, staffed Help desk

#### **THE GATEWAY TO A WORLD OF INFORMATION**

- Seven local information categories --  
News, Sports, Weather and Traffic, Entertainment,  
Community, Learning, KidStar
- Hotlinks to popular Internet sites including Road Runner<sup>®</sup>
- Exclusive local and regional content services --  
News 12 Interactive, Neighborhood News, SportsChannel,  
Community Center, ExtraHelp Online
- Provides complete Internet access, multiple e-mail addresses and access to news and chat groups

#### **HIGH-VALUE**

- Just \$34.95 a month, with modem purchase (priced at \$295) or \$44.95 a month, modem included
- Custom, in-home installation and start-up for \$150 -- reduced to \$100 for special introductory period
- Modem buyback plan protects your investment.



Optimum Online - Optimum Explorer



http://www.optonline.com/



# Business Day

First business page D1 CS

TUESDAY, DECEMBER 17, 1996

The New York Times

## Cablevision Sets Link to Internet For L.I. Viewers

By MARK LANDLER

It will not unclog the Long Island Expressway. But thousands of cable television subscribers across Long Island will be getting a new service designed to ease traffic jams on the Internet.

The Cablevision Systems Corporation plans to announce today that it will offer cable modems to 15,000 of its subscribers in Oyster Bay, L.I., to connect their PC's to the Internet, company executives said yesterday. The company, which is the nation's sixth-largest cable operator, plans to hook up 150,000 subscribers on Long Island and in Connecticut by the end of 1997.

It is scheduled to be the first rollout of cable modems in the New York metropolitan area, and one of the most ambitious in the industry. The devices provide a link from a customer's personal computer to the Internet using coaxial cable rather than telephone lines. Because coaxial cable, which is also used to deliver cable television, has more capacity than copper telephone wire, it can transmit the digital bits of the Internet at much higher speeds.

For cable executives, the drive to provide cable modems has taken on particular urgency in recent months as the stocks of major cable companies have been pummeled because of jitters about new competitors and repeated delays in the industry's plans to introduce new services. The cable industry's torpor comes at a time when the telephone companies are scrambling to provide an integrated package of communications services to the home.

Executives at Cablevision said the company's new service, which is called Optimum Online, will enable subscribers to download text and images from the Internet's World Wide Web as much as 50 times faster than they can download with a phone line and a conventional modem.

"When you use this on your own PC, you'll see there's just no alternative," said Charles F. Dolan, the chairman of Cablevision, which has 2.8 million subscribers and is based in Woodbury, L.I.

The service, which will be offered to existing Cablevision subscribers as well as people who do not currently receive cable television, will cost \$44.95 a month for a package that includes unlimited access to the Internet and a free modem. Subscribers can get the same package for \$34.95 a month, plus a one-time payment of \$150 for the modem.

Commercial on-line services like America Online typically charge \$19.95 a month for unlimited access. But executives at Cablevision noted that a second phone line could cost \$15 a month. Cable modems are attached to the same coaxial cable that provides the television service.

Cablevision, which has been developing Optimum Online for 18 months, has stolen a march on two of its major competitors, the Nynex Corporation and Time Warner Inc. A spokesman for Nynex, John Johnson, said that the regional Bell company planned to offer an Internet access service under the Nynex brand name in the first quarter of 1997. But he declined to offer any details.

Time Warner offers cable modem service to 400,000 cable customers in Akron, Ohio, and Elmira, N.Y. But executives at the company said yesterday that they would not be able to offer the service to their 1.2 million subscribers in New York City until late 1997 or early 1998 because the cable network had to be upgraded.

"This is a very demanding market, and we don't want to introduce

the product until we're absolutely ready for it," Richard C. Aurelio, the president of Time Warner's New York City cable system, said.

Time Warner did, however, sign an agreement to provide Road Runner, its package of Internet-related programming, to Cablevision. Time Warner hopes to sell Road Runner, which features an array of Time Warner publications and services, to cable operators across the country.

In addition to Road Runner, Cablevision will offer its own menu of news, sports, entertainment and community features tailored for Long Island and Connecticut. The company will draw on its programming holdings, which range from the 24-hour news channel, News 12 Long Island, to the Madison Square Garden Network and the Bravo movie channel.

"We don't want to be just a high-speed pipe to the Internet, but we also don't want to have to invent every piece of content ourselves," said Joseph Cece, a former publisher of TV Guide magazine who is the president of digital services at Cablevision.

As Mr. Cece showed off his new service in Manhattan yesterday, he lingered over one feature — a traffic monitoring service that allows subscribers to get information about tie-ups on various highways like the Long Island Expressway and the Northern State Parkway. If Cablevision's subscribers cannot get anywhere fast on Long Island, Mr. Cece said, at least they will find out quickly how slow their trip is going to be.

TUESDAY, DECEMBER 17, 1996

THE WALL STREET JOURNAL

# MARKETPLACE

## *Cablevision to Launch Speedy Service Today To Link PCs, Internet*

*By a WALL STREET JOURNAL Staff Reporter*

NEW YORK — Cablevision Systems Corp. said it will launch its high-speed cable-modem service connecting personal computer users with the Internet today in North Oyster Bay, N.Y., making the service available to 15,000 homes.

The commercial roll-out plan is the latest by the nation's largest cable operators to deploy scaled-down commercial roll-outs of their speedy service. For Cablevision customers in the target area, that means downloading data at speeds 50 times faster than regular phone lines.

During 1997, Cablevision is expected to expand the service to more than 150,000 Long Island homes, as well as to customers in Connecticut. Cablevision, of Woodbury, N.Y., is the sixth-largest cable operator with 2.8 million subscribers nationwide.

Besides Internet access, Cablevision's service, called Optimum Online, will offer electronic mail, sports, traffic reports, an interactive version of Cablevision's News 12 local cable news channel, and sports. The service will include a hotlink to Time Warner Inc.'s Road Runner cable-modem service.

Optimum Online will deliver unlimited service for a monthly charge of \$34.95, as long as users buy a cable modem for \$295, or for \$44.95 a month, modem included. There is a one-time \$150 installation fee.

In recent weeks, other large cable operators have announced similar roll-outs. Cable giant Tele-Communications Inc. offers At Home service to several hundred homes in Freemont and Sunnyvale, Calif., and is now rolling out the service in Hartford, Conn. Philadelphia-based Comcast Corp. said it has launched one in the Baltimore area.

# Cablevision's New Connection

## Offers high-speed computer access to 'Net via coaxial cable

By Elizabeth Sanger

STAFF WRITER

Having conquered the world of cable television, Cablevision Systems Corp. is taking on computers.

The Woodbury-based company will today announce that it is marketing Optimum Online, a subscription-based computer service using high-speed cable modems, to 15,000 homes in the northern part of the Town of Oyster Bay. Other companies have introduced similar services in limited markets; this is the first in the New York area.

The service, which Cablevision has been testing in various versions for more than two years, marries a high-

speed route to the Internet with proprietary and local content and other popular World Wide Web sites.

"The big story is this is no longer hype," Chris Dixon, a media analyst with PaineWebber, said yesterday.

The cost, which includes unlimited Internet access with a virtually instantaneous and continuous connection, is \$44.95 a month, or \$34.95 a month after buying a \$295 cable modem from Cablevision. The installation fee is \$100. (Connection is 50 to 100 times faster than telephone modem.) To buy Optimum Online, you first must subscribe to at least Cablevision's Family Cable level of television service, which costs \$23.23 a month.

Whether people will pay that much and choose a cable company as their Internet access provider is still mostly unknown.

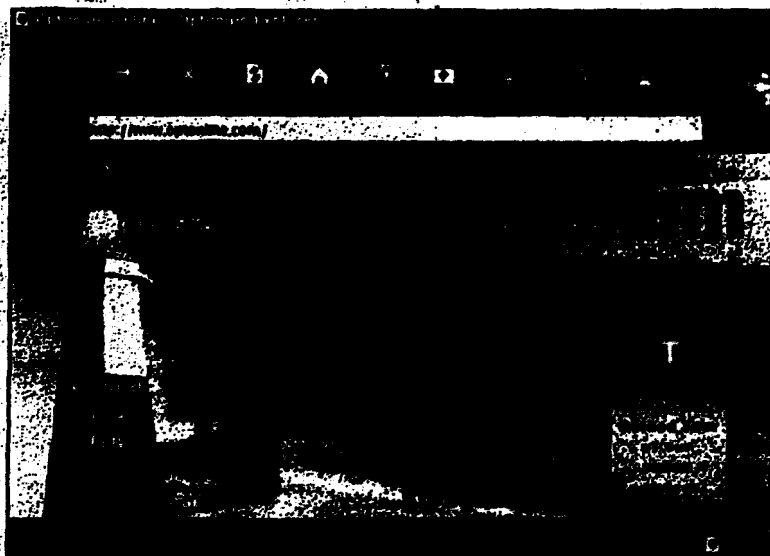
Cablevision runs the wire that enters the home to a cable modem and connects the modem to the computer. You can turn on any number of TVs and run Optimum Online simultaneously. Cablevision is exploring Internet access via the TV that is possibly more than a year away, executives said.

In February, Cablevision will start rolling out Optimum Online to the southern portion of Oyster Bay and will serve another 150,000 or more area homes by the end of 1997, including some in North Hempstead, Joseph Cece, Cablevision's president of digital services, said yesterday.

Only homes in areas Cablevision has upgraded with additional channel capacity and broader bandwidth can receive Optimum Online. Currently, 150,000 of Cablevision's 670,000 Long Island subscribers live in rebuilt areas.

Much like it has evolved in cable TV, where it owns systems and channels, Cablevision will be both an online distribution service and a content provider.

Cablevision is tapping a small yet growing market. There are 43 million households with PCs nationwide and about 15 million households with on-



The service is available in 15,000 homes in the northern part of the Town of Oyster Bay.

line services or Internet access, said John Aronsohn, a senior analyst with the Boston-based Yankee Group, a technology research firm that predicts the online market will expand to more than 40 million households by the year 2000.

"It is an attractive market for cable operators; it's an area of growth where they can find some unregulated revenue," Aronsohn said. "Other than that, growth in cable is fairly stagnant. Data represents probably the largest new frontier operators can attack."

Cablevision believes in five years, 22 percent to 25 percent of homes where it's available will buy the service.

Time Warner started offering its high-speed online Road Runner service last September; now it has 1,686 subscribers out of 290,000 potential customers in northeastern Ohio and upstate New York, spokeswoman Sandy Colony said. Road Runner ranges from \$24.95 a month without Internet access in Elmira, N.Y., to \$39.95 a month including Web access in Akron.

Topics on Optimum Online include news, sports, weather and traffic, entertainment, community resources, education and a kids zone. Showing its television roots, Optimum Online makes wide use of video, from clips showing sports highlights to a progression of video stills with audio superimposed. News comes from News 12 Long Island and its neighborhood news, Newsday, The New York Times, CNN Interactive, and the weekly Oyster Bay Guardian, among others.

Most users buy the service for the quick connection, not for the proprietary content, and the difference between using a cable modem and a telephone modem is stark. At Cablevision's offices, it took two seconds for the cable modem to connect with the Discovery Channel's Web site and 1:45 for the telephone 28.8 modem to connect.

Optimum Online provides e-mail and customized television listings for subscribers's systems. There is no advertising for the moment, but some is expected as the subscriber base grows.

### The Quicker Modem

A cable modem transmits data to and from a computer at a high speed through a coaxial line. The modem, which sits outside the computer, is about 50-percent larger than the traditional modem, which connects to telephone lines.

The modem connects to the computer through a receptor that's nearly three times the size of a telephone jack. It connects to the Internet or a computer online service through Cablevision's coaxial cable in homes and businesses, and the signal is later transmitted along fiber-optic cable.

The modem, which costs about \$300, can transmit at a rate nearly 300 times the speed of the fastest phone modem. But that speed would be reduced because as many as 500 users could use a given connection to a "node," or point of access to the Internet. In any event, the transmission speed is far faster than a PC could handle.

— Richard J. Dalton Jr.

# Multichannel NEWS

VOLUME 17 • NUMBER 11 • DECEMBER 10, 1996 •

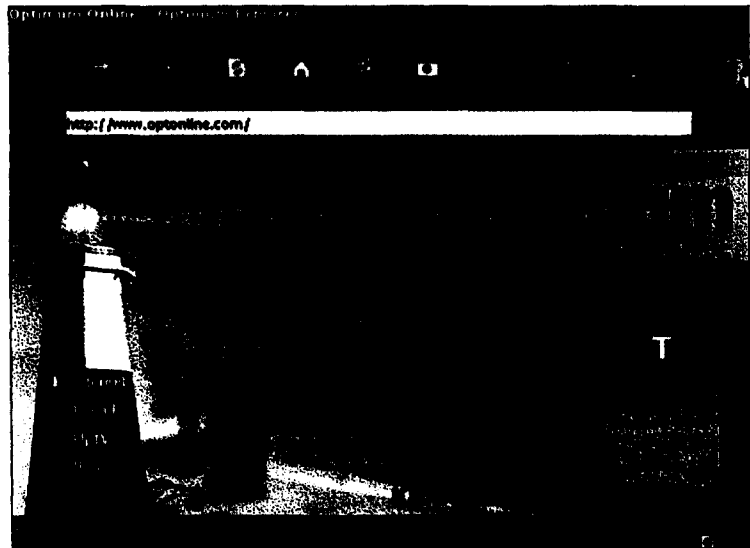
## Cablevision Launches Online Service

By KENT GIBBONS  
& JOHN M. HIGGINS

**A**NAHEIM, CALIF. — Cablevision Systems Corp. will launch its Optimum Online cable-modem service this week in North Oyster Bay, N.Y., company executives said.

After almost three years of modem trials near its Long Island, N.Y., headquarters, Cablevision is starting its service with a couple of twists. For one, the MSO will offer customers the choice of renting or buying the LANcity modem. During the trial, about 70 percent of participants said they would rather buy the modem, which was a surprise, company officials said.

In another variation, Cablevision said it has formed a "business relationship" with Road Runner, the high-speed data service rolling out in Time Warner Cable systems through the Excaliber Group



joint venture with Time Inc. But Cablevision won't rely on Road Runner for local content; only for national content. Cablevision is developing its own local content.

Joseph Cece, Cablevision's president of telephony and data services, said the approach is to be a cross be-

tween a straight Internet service provider and a content packager like America Online Inc.

"We're kind of taking a hybrid approach," he said.

The launch, to be announced today or tomorrow, will make the service avail-

**See CABLEVISION, page 97**

# Multichannel NEWS

12/16/96

## Cablevision Launches Online Service

Continued from page 1

able to 15,000 homes, Cece said. The charge will be about \$45 per month if the modem is rented. If a subscriber buys the modem for \$300 (which is below Cablevision's cost), the monthly charge is about \$35. Installation will cost \$150 after an introductory price of \$100 expires.

Cece said the plan is to expand the market to about 100,000 homes in the Oyster Bay area over the next several months, starting in February. By the end of 1997, the service should be available to more than 150,000 homes, Cece said.

Stephen Walden, a former Prodigy Services Co. and cable executive who is now president of consulting firm Walden Associates, said he wouldn't recommend that any consumer buy a cable modem.

A modem that works with one cable system won't necessarily work on another system because those standards have not been set, he said. And the

modem that a customer buys today will be replaced by a next-generation product long before the 30-month payback built into the Cablevision plan, he added. "It sounds like an interesting marketing gimmick" that might resonate with early adopters, but it won't penetrate deep into a mass market, Walden said.

In addition to the modems from Bay Networks Inc.'s LANcity division, Cablevision is using Hewlett-Packard Co.'s Broadband Internet Delivery System servers at the headend. Cablevision will use a variant of Microsoft Corp.'s Internet Explorer browser.

Most of Cablevision's tests involved Zenith Electronics Corp. modems. Wilt Hildebrand, Cablevision's vice president of technology, said the operator liked LANcity's 10-megabit-per-second symmetrical data setup and other features. "From an operator standpoint, it was as close to 'plug-and-play' as

you can get with a cable modem," Cece added.

Cablevision CEO James Dolan said the product works, and it will work in scale, but he cautioned against expecting a huge instant financial hit.

"It's like any other product," he said. "It took a while for the consumer to catch on to multi-pay. Modems are just like that." He predicted that systems launching Optimum Online would reach 5 percent penetration of homes passed in about six months.

Dolan said he believes that high-speed Internet services will become profitable in short order, but it will take a few years before service will be deployed widely enough to sharply raise an operator's companywide cash flow.

Walden, whose company was recently acquired by BellSouth Corp. (but who said he did not speak for BellSouth), said the cable industry was close to moving beyond the trial or lim-

ited commercial rollout phase. But he said it now appears that the next phase will be to sell into the high-end, early adopter market, and not to become a mass-market consumer item.

Even at LANcity's current \$395 price, cable modems are expensive, Walden said. Also, cable upgrades to 750 megahertz may come more slowly now that phone companies are showing less interest in competing for video customers. So companies like Cablevision, Continental Cablevision Inc. and others are likely to try to sign up as many customers as possible who are willing to pay \$35 and up for high-speed service — and to wait for equipment prices to drop.

The localized content on Optimum Online will include an online version of News 12 Long Island, a local news network owned by Cablevision's Rainbow Programming Holdings Inc.; and a sports service using video highlights from Madison

Square Garden Network (owned by Cablevision and ITT Corp.) and from Rainbow-owned SportsChannel New York and NewSport.

Chris Travers, the Cablevision official overseeing the content work, said the approach was to "fill in the gaps" in Web content, which are mainly local. He said Cablevision is also working with the *Oyster Bay Guardian* newspaper to develop a Web version, and it has licensed some nonlocal content, including *Compton's Encyclopedia* and a children's activity service called Kidstar.

For now, at least, there will be no advertising on Optimum Online. Like most other operators launching cable-modem services, Cablevision said it will wait until it builds up a customer base before introducing ads. Cece said, "We really view this as an editorial service," and they don't want to detract from the user experience. But ads will come later, he said. MCN

# CableFAX Daily Wednesday 12/18/96

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## **Online: Cablevision Enters "New Frontier" With Optimum Online Launch**

NYC - **Cablevision** [CVC] launched its **Optimum Online** service to 15,000 Long Island HHs yesterday, "opening a new frontier for us" through "the beginning of providing value-added products through our distribution net," said CVC COO **Bob May**. The service, built on **LANcity** modems, **HP** [HWP] networking tech and the **Microsoft** [MSFT] browser, will offer **RoadRunner** hot links for a "nice value-added proposition," according to **Joe Cece**, pres of CVC's digital services, as well as a heavy dose of local content from **Rainbow's** wares. Cece will market the service, focusing 1st on its speed, 2nd on its content, and 3rd on its competitive value with slower, but more expensive, ISDN lines. As for POTS access, Cece will stress that the cost of an additional phone line with Internet access adds up to an average of \$35/month, making the \$10 premium much more attractive when coupled with performance and content. CVC hopes to reach 150,000 Long Island and CT subs by the end of '97 with a \$44.95/month fee or a \$34.95/month fee with the purchase of a \$300 modem. But for now it just wants to get its feet wet and develop its nascent market. Come back and see CVC's setup in 3-6 months, suggested May, where "concepts" of additional revenue streams "become reality."

# Communications Daily

WARREN  
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WEDNESDAY, DECEMBER 18, 1996

VOL. 16, NO. 244

**CABLEVISION BEGINS ROLLING OUT CABLE MODEMS** in Long Island, plans expansion. Uses Time Warner content, beats TW and Nynex to N.Y.C. market. (P. 3)

## TW Provides Content

### **CABLEVISION SYSTEMS LAUNCHES CABLE MODEM SERVICE, BEATING TW AND NYNEX**

Cablevision Systems became first customer for Time Warner's Road Runner cable modem content service, in process setting up competition for @Home broadband content service owned by TCI and others and beating Time Warner itself to N.Y.C. modem market. Cablevision said its Optimum Online modem service is available immediately to 15,000 homes on Long Island and will be available to 150,000 in N.Y. and Fairfield, Conn., by end of 1997. Deal with TW calls for Road Runner to be rolled out gradually to all 2.8 million Cablevision subscribers.

Neither TW nor Nynex is ready to launch broadband data services in N.Y.C. area, although TW offers modems to 400,000 subscribers in Elmira, N.Y., and Akron. TW said it can't offer modems to N.Y.C. customers until late 1997 or early 1998 because of need to upgrade cable network. Nynex plans to offer broadband Internet access in N.Y. in first quarter of 1997, spokesman said.

Optimum Online uses LANcity modems, capable of 10 Mbps data rate, as well as Microsoft browser and Hewlett-Packard networking technology. In addition to national content and backbone provided by Road Runner, Cablevision plans to offer such localized content as its News 12 Interactive, Neighborhood News, online sports programming, local weather and traffic, specialized community and educational services. Under agreement, Cablevision will be exclusive provider of Road Runner in its franchise area.

Modem service is priced at \$44.95 per month, including modem rental, with \$150 installation. Customers have option of buying \$295 modem and paying \$34.95 for unlimited access. LANcity owner Bay Networks said it already has more than 40,000 modems installed in more than 300 sites worldwide.



## New Media

# Two MSOs Launch Commercial Modem Service

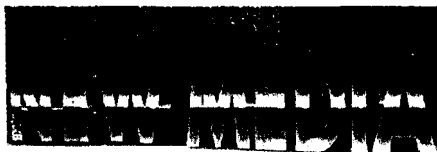
*Cablevision, Cox plan to start slowly, but expand broadly in 1997*

BY ALAN BREZNICK

**S**crambling to beat year-end deadlines, Cablevision Systems Corp. and Cox Communications Inc. launched commercial cable modem service in their first markets last week.

Like other MSOs, Cox and Cablevision are starting slowly and cautiously, initially rolling out high-speed data access to only a few thousand cable homes. But both plan to expand broadly next year, making cable modems available to hundreds of thousands of homes and extending service to other markets.

With TV spots, telemarketing and direct mail, Cablevision began to pitch modem service to 15,000 subscribers in its huge Long Island, N.Y., system last week, about two months behind its most recent schedule. At the same time, Cox began to offer service to 18,000 homes in its large Orange County, Calif., system, about a month behind schedule.

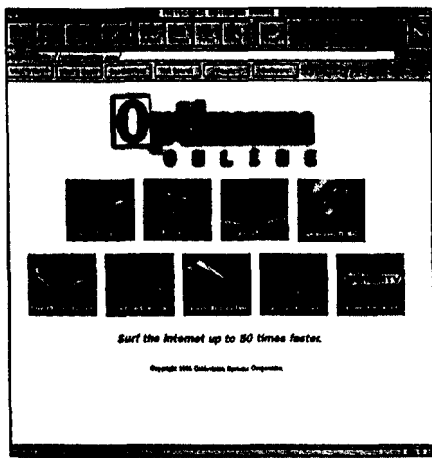


The two rollouts on opposite ends of the U.S. mean that all eight of the nation's largest MSOs are now selling high-speed data access to subscribers in at least one major market. Plus, Comcast Corp., which launched service in Baltimore's suburbs earlier this month, plans to introduce cable modems in a second market, Sarasota, Fla., before the year ends.

On Long Island, Cablevision is offering its Optimum Online service to 15,000 subscribers in Oyster Bay, an affluent town in the New York City suburbs. Customers pay \$44.95 a month for the modem rental, unlimited Internet access and a package of local content from the MSO's programming networks and national content from Time Warner Inc.'s Road Runner service.

In a novel move by Cablevision, subscribers also can buy the modem outright for \$295 and then pay \$34.95 a month for the Internet access and content packages. Installation runs \$150, although there's a special introductory rate of \$100.

Another unique aspect of the Cablevision rollout is the national content offering from Road Runner. The MSO plans to distribute Road Runner nationwide as part of a licensing arrange-



**NET PROCEEDS:** Cablevision Systems Corp. is offering its Optimum Online service to 15,000 subscribers in Oyster Bay, an affluent town in New York City's suburbs.

ment with Time Warner. Terms weren't disclosed.

Cablevision, which initially tested slower Zenith Electronics Corp. modems, is relying on 10-mbps LANcity modems from Bay Networks Inc. It's also using a customized version of Microsoft Corp.'s Internet Explorer browser, as well as Hewlett-Packard Co.'s Broadband Internet Delivery System servers at its Long Island headend.

Company executives said they aim to expand data service to more than 150,000 Long Island homes next year beginning in February. They also plan to extend service to at least 150,000 homes in Fairfield County, Conn., beginning in March or April. Other markets, including the rest of the New York City area, Boston and Cleveland, will follow, depending on the pace of upgrades and the advent of rival offerings.

"We'll look for opportunities where they arise," said Joseph Cece, Cablevision's president of digital services. "The situation will be fluid as we move beyond there [the first half of 1997]."

Cablevision executives said they're shooting for Optimum Online to achieve 5% to 10% penetration of homes passed in the first year, and 20% to 30% penetration within five years. In the first few days last week, 60 to 70 customers had signed up, including most of the 50 beta test subscribers, according to the MSO.

"We're evaluating the business from a long-term perspective," Cece said. "This is a business that looks fabulous three to five years down the road."

Similarly, in Southern California, Cox

began to market cable modems last week to 80 beta test subscribers and hundreds of other customers in the Mission Viejo area of Orange County, an affluent Los Angeles suburb. Expanded basic customers pay \$44.95 a month for the modem rental, unlimited Internet access and a package of local content from Cox Interactive Media and national content from @Home Network, which is partly owned by Cox. Non-subscribers pay \$54.95 a month.

Known as Cox@Home Network, the service joins similar offerings by TeleCommunications Inc. and Comcast, the other two MSO partners in @Home. Installation costs \$99.95 or \$174, depending on whether customers have a network card in their computers.

Cox, which has been testing cable modems by three manufacturers, is using Motorola modems in Orange County. It's also using a Netscape Navigator browser.

Tom Nagel, Cox's director of data services, said company executives expect to reach 3% to 6% penetration after one year in Orange County, which has personal computers in 60% to 65% of its households. "It's a very nice market for us," he said. "We believe the market will suck it up."

Company executives said they'll extend service to Phoenix and San Diego in 1997's first quarter, followed by New England, Omaha, Hampton Roads, Va., Louisiana and Pensacola, Fla., later in the year. They aim to blanket all nine of Cox's major market clusters by the end of next year.

**SITE REDESIGN:** Discovery Channel Online, which says it averages 26,000 visitors a day and almost 5 million pages viewed a month, is conducting a major redesign of its World Wide Web site. The redesigned site is slated to be ready by Dec. 30.

**PEOPLE:** U S West Media Group has named Amos Hostetter CEO of domestic cable; William Schleyer president-COO of domestic cable; and Doug Holmes executive VP-finance/strategy for domestic cable.

**NICK LAUNCH:** Nickelodeon Online on AOL UK, the first commercial expansion of Nickelodeon Online outside the U.S., launched last week. The area includes a daily online newspaper, monthly feature on major issues, a consumer report for kids, programming schedules and information, games, comics, downloadable digital toys, chat rooms and message boards.

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**OPTIMISTIC ON OPTIMUM:** Cablevision Systems Corp. chairman Charles Dolan last week formally announced the rollout of Optimum Online, the company's high-speed multimedia communications service, at a press conference at the "21" Club in New York. Cablevision vowed to make the service available to more than 150,000 homes on Long Island, as well as Connecticut, next year.

# Broadcasting & Cable **TV/FAX**

**THURSDAY □ DECEMBER 26, 1996**

**LONG ISLAND CABLE ONLINE DEBUT**—Cablevision Systems Corp. began commercial rollout of its Optimum On-line service in its Long Island systems Tuesday. Service will use coaxial cable instead of telephone line to let subscribers download text and images from Internet to home PCs. Initially, it will be available to 15,000 Cablevision subs in Oyster Bay, N.Y., area.